**FATF takes action to tackle de-risking**

The FATF continues to focus its efforts on de-risking, including through stocktaking and acknowledging the work of other bodies in this area. De-risking is having a significant impact in certain regions and sectors in particular and, although there is currently no evidence that de-risking is adversely impacting global financial stability, the international community continues to study this issue closely.

De-risking will remain a priority for FATF. The FATF continues to monitor closely developments related to de-risking, including the fact gathering and analytical work conducted by other bodies – notably the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructure (CPMI), the International Monetary Fund and Union of Arab Banks, the Global Partnership for Financial Inclusion, the Basel Committee, the World Bank Group, and the World Trade Organization. The FATF will also continue to engage with other international bodies, countries, the private sector and civil society on this important issue. The FATF will also invite the Secretariats of the FSB and the CPMI to its next working group meeting to facilitate coordination and engagement on these important issues.

Analytical work so far undertaken by different bodies, including the FATF, shows that de-risking is being driven by many different factors. This is a serious concern for FATF and the FATF-style regional bodies to the extent that de-risking may drive financial transactions underground which creates financial exclusion and reduces transparency, thereby increasing money laundering and terrorist financing risks.

The drivers of de-risking are complex and include: profitability; reputational risk; lower risk appetites of banks; and regulatory burdens related to the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) requirements, the increasing number of sanctions regimes, and regulatory requirements in financial sector. The FATF is acting quickly to clarify regulatory expectations in four areas that are particularly relevant to de-risking to ensure that AML/CFT measures are being implemented effectively and in line with its risk-based approach. In particular, the FATF is:

* developing guidance to clarify how to properly identify and manage risk in the context of correspondent banking and  remittances. This guidance will address the issues highlighted by the FATF in its June 2015 statement on de-risking.
* developing guidance to help money remitters identify and manage their risks, and to help banks evaluate and manage the risks of providing financial services to money remitters. This guidance will also help governments supervise these activities.
* developing best practices on appropriate customer due diligence to facilitate financial inclusion in a manner that strikes an appropriate balance with AML/CFT objectives, and
* revising the relevant standard to help governments properly identify those non-profit organisations which are most vulnerable to terrorist financing abuse, and address those risks in a proportionate way. This work builds on the [*FATF Best Practices on Combating the Abuse of Non-Profit Organisations*](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/bpp-combating-abuse-npo.html)which was issued in June 2015.

The FATF aims to complete its work on these four projects in 2016.

In addition to these significant initiatives, the FATF has just issued [*Guidance on the Risk-Based Approach for Effective Supervision and Enforcement by AML/CFT Supervisors of the Financial Sector and Law Enforcement*](http://www.fatf-gafi.org/publications/fatfrecommendations/documents/rba-effective-supervision-and-enforcement.html)*.* This guidance reiterates the existing expectation that regulators and supervisors should use a risk-based approach when supervising financial institutions’ compliance with AML/CFT measures. This is not a“zero failure” or “zero tolerance” approach which means that, when failures are detected, the regulator or supervisor should apply actions that are appropriate and proportionate, taking into account the nature of the failure. Regulators and supervisors should also ensure that financial institutions are taking a risk-based approach to implementing AML/CFT measures, without prejudice to rules-based measures such as targeted financial sanctions. Implementation by financial institutions should be aimed at managing (not avoiding) risks. What is not in line with the FATF standards is the wholesale cutting loose of entire countries and classes of customer, without taking into account, seriously and comprehensively, their level of money laundering and terrorist financing risk and applicable risk mitigation measures for those countries and for customers within a particular sector.